

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 129995
ORIGIN EUR-12

INFO OCT-01 ISO-00 CEA-01 TRSE-00 SS-15 EB-08 AID-05
CIAE-00 COME-00 EA-10 FRB-03 INR-10 IO-13 NEA-11
NSAE-00 OPIC-03 SP-02 LAB-04 SIL-01 AGRE-00
OMB-01 SSO-00 NSCE-00 INRE-00 ICAE-00 OIC-02 /102 R

DRAFTED BY EUR/RPE: EACASEY:WRF
APPROVED BY EUR/RPE: AALBRECHT
CEA:WNORDHAUS
TREASURY:HJUNZ
E:SBLACK
EB:WBARRACLOUGH (SUBS)
-----081988 22236Z /65
O 222149Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE

LIMITED OFFICIAL USE STATE 129995

USOECD

E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: POSITIVE ADJUSTMENT POLICIES - HEADS OF DELEGATION
MEETING

REF.: (A) PARIS 15170, (B) STATE 127824

1. AS MISSION IS AWARE FROM REF B, WE HAVE DECIDED TO GIVE
STRONG SUPPORT TO THE SECRETARIAT'S INITIATIVE ON POSITIVE
ADJUSTMENT POLICIES. WHILE WE ANTICIPATE RESISTANCE FROM
CERTAIN COUNTRIES (PARTICULARLY THOSE WITH SU0STANTIAL STATE
PARTICIPATION IN INDUSTRY) WE BELIEVE IT IS BOTH POSSIBLE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 129995

AND HIGHLY DESIRA0LE FOR MINISTERS TO ADOPT A COMMITMENT TO
POSITIVE ADJUSTMENT POLICIES AT THE JUNE MEETING. MAY 23
HEADS OF DEL MEETING WILL BE IMPORTANT IN BUILDING SUPPORT
FOR SUCH A COMMITMENT AND LAYING THE SUBSTANTIVE GROUNDWORK
FOR PROGRESS IN THE MAY 29 EXPERTS MEETING. WE WOULD LIKE
TO SEE THE PREPARATORY WORK CONCLUDE WITH A CLEAR STATEMENT
FOR THE COMMUNIQUE OF THE NATURE AND IMPORTANCE OF POSITIVE

ADJUSTMENT AND THE INTENTION OF MEMBER GOVERNMENTS TO PURSUE POLICIES DESIGNED TO ACHIEVE IT. IN ADDITION, THE MARRIS PAPER COULD BE ADOPTED BY MINISTERS AS THE BASIS FOR FUTURE WORK IN THE OECD WHICH WOULD ASSIST MEMBER GOVERNMENTS IN EVALUATING THE IMPACT OF DIFFERENT ADJUSTMENT POLICIES ON LONGER TERM GROWTH OBJECTIVES.

2. MISSION SHOULD PRESENT US VIEWS TO HEADS OF DEL MEETING ALONG FOLLOWING LINES:

-- US BELIEVES THAT A STATEMENT OF SUPPORT FOR POSITIVE ADJUSTMENT POLICIES BY MINISTERS SHOULD FORM A MAJOR ELEMENT OF THE OVERALL RESULTS OF THE JUNE MEETING. A COMMITMENT TO THE TWIN OBJECTIVES OF POSITIVE ADJUSTMENT AND FULL UTILIZATION OF RESOURCES IS CENTRAL TO DEMONSTRATING OUR CONFIDENCE THAT SUSTAINED NON-INFLATIONARY GROWTH IS ACHIEVABLE.

-- WE ENDORSE THE SECRETARY-GENERAL'S LATEST PAPER ON THE ISSUE. IT PROVIDES AN EXCELLENT BASIS FOR CONSIDERATION OF POSITIVE ADJUSTMENT IN THE MINISTERIAL.

-- WE ARE PLEASED THAT THE PAPER CONCENTRATES PRIMARILY ON DOMESTIC ECONOMIC POLICY ACTIONS AND HAS NOT MADE EXPLICIT RECOMMENDATIONS REGARDING TRADE MEASURES CURRENTLY UNDER ACTIVE NEGOTIATION IN THE MTN.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 129995

-- AN EFFECTIVE POLITICAL STATEMENT BY MINISTERS WOULD HAVE TO BE A GOOD DEAL MORE CONCISE THAN THE CURRENT PAPER, ALTHOUGH THE LATTER WOULD CERTAINLY BE USED AS THE BASIS FOR DISCUSSION AND COULD BE ADOPTED AS GUIDELINES FOR FUTURE WORK IN THE OECD.

-- WE WOULD SUGGEST THAT THE SECRETARIAT ATTEMPT TO PRODUCE A SHORTER PAPER (TWO TO THREE PAGES) FOR USE BY THE MEETING OF EXPERTS MAY 29 IN FORMULATING THE MINISTERIAL STATEMENT.

THE FOLLOWING ARE PRELIMINARY SUBSTANTIVE COMMENTS ON THE PAPER. FURTHER AND MORE DEFINITIVE USG POSITIONS WILL BE PRESENTED AT EXPERTS MEETING.

-- THE LINK BETWEEN GROWTH AND ADJUSTMENT IS AN IMPORTANT ONE AND SPECIFIC REFERENCE TO THE CLOSE TWO WAY RELATIONSHIP SHOULD BE RETAINED. HOWEVER, DESCRIPTION OF THE EFFECT OF ONE ON THE OTHER SHOULD BE BRIEFER.

-- NOTE THAT WEAK SECTORS ARE NOT INTERNALLY HOMOGENEOUS

AND THAT IT IS NECESSARY TO DIFFERENTIATE AMONG FIRMS IN ANALYZING THE PROBLEM IN ORDER NOT TO ARRIVE AT SOLUTIONS WHICH FEED INFLATION OR PROVIDE WINDFALL PROFITS. (PARAS 3 & 7)

-- PAPER SHOULD RECOGNIZE (PARA 7) THAT RESTRUCTURING PLANS SHOULD NOT OPERATE SO AS TO PRODUCE PRICE LEVELS IN THE SECTOR ABOVE THOSE PROVIDING AN ADEQUATE RETURN TO

EFFICIENT PRODUCERS.

-- WE DO NOT SEE ANY NEED TO SINGLE OUT NATIONAL SECURITY ARGUMENTS (PARA 7(VII)). ALL ARGUMENTS FOR PROTECTION SHOULD BE CAREFULLY SCRUTINIZED.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 129995

-- DIFFICULTY OF QUOTE PICKING WINNERS UNQUOTE IN PARA 8 IS IMPORTANT POINT. WE DO NOT BELIEVE IT SHOULD BE DILUTED BY COMMENTS IN PARA 9 WHICH IMPLY THAT WINNERS MIGHT BE PICKED VIA R&D INCENTIVES, PROMOTION OF SMALL BUSINESS OR GOVERNMENT INTERVENTION IN ENERGY INVESTMENT. PAPER WOULD HAVE A SHARPER FOCUS IF PARA 9 WERE DELETED.

-- SIMILARLY, WE BELIEVE PARA 11 IS OVERLY DETAILED AND, ON THE TRAINING ISSUE, APPEARS INTERNALLY INCONSISTENT. WE WOULD LIKE TO SEE SOMEWHAT BRIEFER DISCUSSION OF IMPROVED LABOR MOBILITY AND FLEXIBILITY ALONG THE LINES OF PARAS 11-14.

-- DISCUSSION OF REGIONAL POLICY SHOULD MAKE CLEAR THAT SUCH SUPPORT MEASURES WILL ONLY BE EFFECTIVE IN CONDITIONS OF OVERALL GROWTH.

-- LAST PARAGRAPH AN INTERNATIONAL COOPERATION POINTS THE WAY TO FUTURE WORK IN THE OECD, WHICH WE BELIEVE HIGHLY DESIRABLE.

3. FINALLY, MISSION SHOULD DRAW ON REFTEL B REGARDING IMPORTANCE OF EXPERTS GROUP AND NEED FOR POLICY LEVEL REPRESENTATION FROM CAPITALS. VANCE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC COOPERATION, INFLATION, MEETING DELEGATIONS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE129995
Document Source: CORE
Document Unique ID: 00
Drafter: EACASEY:WRF
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780216-0038
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780532/aaaabaub.tel
Line Count: 161
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 64ae0799-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 PARIS 15170, 78 STATE 127824
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2612909
Secure: OPEN
Status: NATIVE
Subject: POSITIVE ADJUSTMENT POLICIES - HEADS OF DELEGATION MEETING
TAGS: EGEN, US, OECD
To: PARIS USOECD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/64ae0799-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014